

Operational Policy Letter #32

Department of Health & Human Services

Health Care Financing Administration

Medicare Managed Care

December 12, 1995

ACCRETIONS INTO HEALTH CARE PREPAYMENT PLANS (HCPPS)

Issue and Background:

The Omnibus Budget Reconciliation Act of 1990 (OBRA 1990, Public Law 101-508) requires all Medicare supplemental (Medigap) insurance policies to conform to minimum standards including loss-ratio requirements, standardized benefit packages and consumer protection requirements. OBRA 1990 exempted HCPPs from the Medigap rules by excluding all HCPPs from the definition of a Medigap policy. The 1994 Amendments to the Social Security Act (Public Law 103-432, Section 171(f)) ends this exemption effective December 31, 1995.

As a result of the 1994 law, HCPPs are proscribed from enrolling individual Medicare beneficiaries into their plans after December 31, 1995 unless they have met all state and federal Medigap requirements. Additionally:

1. HCPPs with Medicare enrollees who are members of union- or employer-based plans (known as "group" enrollees) continue to be exempt from Medigap requirements under Section 1882(g)(1) of the Social Security Act.
2. Individual HCPP beneficiaries who are members of the plan on or before December 31, 1995 will be unaffected by the Medigap requirement.

Operational Policy Question:

How will group accretions (which are still permitted under P.L. 103-432) be handled for those plans with combined group and individual enrollment?

Answer:

An HCPP with combined group and individual enrollment may continue to accrete Medicare enrollees into the HCPP if those enrollees are members of a union or employer group. Individual accretions are prohibited after December 31, 1995 unless the HCPP has received state Medigap certification.

HCPPs with combined group and individual enrollment are required by law to "freeze" the individual portion of the enrollment. HCPPs attempting to enroll individual Medicare beneficiaries after the deadline are required to submit state Medigap certification to the Health Care Financing Administration prior to transmitting individual accretion information for payment.

Contact:

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